

**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
JANUARY 1, 2001 TO MARCH 31, 2001**



- TABLE OF CONTENTS -

TRANSMITTAL LETTER	1
 EXECUTIVE SUMMARY	
Department of Health	3-5
Department of Social Services.....	5-6
Department of Transportation.....	6
Review of Leave Payments to Sheriff Michelle B. Mitchell.....	6-7
Special Review-The Criminal Offense Reporting Process.....	7
 SUMMARY OF REPORTS ISSUED.....	 8-11

April 9, 2001

The Honorable Vincent F. Callahan, Jr., Chairman
and
Members, Joint Legislative Audit and Review Commission
General Assembly Building
Capitol Square
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period January 1, 2001 through March 31, 2001.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:aom

EXECUTIVE SUMMARY

DEPARTMENT OF HEALTH

OFFICE OF INFORMATION MANAGEMENT

The Office of Information Management (OIM) has had a history of problems with the implementation and management of its information systems development projects. Currently, as well as historically, factors such as the high turnover of leadership positions and inadequate funding have placed OIM information systems projects at risk. Presently, OIM's largest and most complex issues involve the continual changes to and successful implementation of the Virginia Information Systems – Integrated On-line Network (VISION).

The direction of VISION has changed several times in the last year. As described in our previous reports, the original VISION project went into operation with numerous deficiencies. To address the most serious issue, management concluded that the information brought into VISION needed correcting. Late in 1999, management decided that in addition to the data cleanup, the recently implemented system did not meet Health's needs. Therefore, management decided to rewrite the system into an internet-based application, which will result in the new Web-VISION. Web-VISION will be a patient-level system that manages client registration, patient visit documentation, immunizations, accounts receivable, community events, and maternity statistics.

The initial projected implementation date for Web-VISION was January 2001. In August 2000, the project team encountered an unanticipated problem with the Oracle Accounts Receivable module that resulted in the need for additional customizing of the module. This delayed the projected implementation date to December 2001. Because of the accounts receivable issue and lack of funding and other resources, management has, as of January 2001, once again revised the project plan. The current implementation date is April 2002. In the past year, management has delayed the project's implementation date by 15 months.

The previous items affect several of the detailed issues within this report. How management addresses these issues will affect the future direction of Health's development efforts.

In addition to the following three issues, the report contains several other matter about system development and security and other financial control issues.

Develop a Project Plan Using a Realistic and Reliable Funding Scheme

Management does not have a realistic and reliable funding scheme for Web-VISION. Plans included requesting and receiving additional appropriation, which neither the Governor, nor the General Assembly included in the current budget process, and shifting resources from other non-service areas to this project.

Management can internally shift resources from non-service areas and as it appears that this funding is the only method available, management should adopt a more realistic timeframe and schedule for implementing Web-VISION. Also, management needs to evaluate what functions it can afford. Within the last year, the plan for the Web-VISION project has undergone significant changes. While increasing functionality, the changes have also increased the budget by \$2.5 million, as well as delayed the projected implementation date by over a year.

Realistic and reliable project, budget, and funding plans are necessary for all large implementation projects. These documents provide the necessary guidance to establish timeframes and resource needs. Without these documents, the project team does not have the necessary direction for successful implementation. Management needs to set these plans within the available funding sources and develop its plan accordingly. As part of this process, management also needs to control changes to functionality to those that the system development project can deliver within the available resources.

Complete an IT Strategic Plan and a Comprehensive Annual Work Plan for the Office of Information Management

Health has not completed an information technology strategic plan or a comprehensive annual OIM work plan. An information technology strategic plan helps management identify current information technology activities and how these activities relate to the future goals of the agency. The plan allows management to examine how changing needs and demands may affect the planned results. The plan should support the preparation of an agency-wide information technology budget and prioritize large and small projects within the available funding.

Part of strategic planning is setting goals and projects that the information technology staff can complete during the year. These goals and projects must include those information technology projects managed by other sections other than OIM. These expectations form the basis of a comprehensive information technology work plan. Without this annual work plan, it is difficult for OIM or other sections to prioritize and plan their work in alignment with management's information technology objectives and the strategic plan.

In November 2000, management began the initial stages to create an information technology strategic plan. However, management must continue towards the completion of an information technology strategic plan and a comprehensive annual OIM work plan. Once completed, management should also ensure that it annually commits the necessary resources and responsibilities to update the information technology work plan and information technology strategic plan.

Permanently Fill Critical Office of Information Management Positions

Health has temporarily assigned staff to fill several key information technology management positions. These temporary assigned staff fill the critical positions of Chief Information Officer (CIO), Agency Security Officer, OIM Site Security Officer, Configuration Manager, and OIM Database Manager.

The Commissioner deferred the permanent replacement of the Acting CIO to reduce further delays in the implementation of Web-VISION. The Commissioner determined that the Web-VISION project is currently at a critical position and the replacement of the CIO could substantially hinder the project's progression. Health plans on recruiting for the permanent CIO by June 2001 and plans on allowing sufficient time for the new CIO to fully adjust with the help of the Acting CIO in order to prevent any further Web-VISION delays. While this is a reasonable plan, we continue to strongly urge Health to permanently hire an experienced CIO as soon as possible to continue the progression of other project development and the operation of information processing systems.

The Acting CIO, the Acting Agency Security Manager, and the OIM Site Security Officer must also work to fulfill their other full time position duties elsewhere within Health. These highly experienced and dedicated employees will find it difficult to devote sufficient time to complete the work of two positions.

In addition, there is a conflict between the duties of the Acting Security Officer and that employee's other full time position of Systems Network Manager. Proper separation of duties would preclude the Security Officer position from having direct access to the computers and networks. It is imperative in assigning employees acting positions that their permanent position does not conflict sufficiently to compromise Health's information technology's system of internal control.

Health needs to permanently fill essential information technology management positions as soon as practical. In the interim, senior managers must ensure that all information technology activities meet Health's overall goals and objectives and maintain an adequate system of internal control.

DEPARTMENT OF SOCIAL SERVICES

Overall, we found several recurring issues that contributed to the internal control findings discussed in this report. We found that communication between divisions needs improvement. Several of the internal control findings were the result of, at least in part, poor communication between divisions. We also found several instances where the Department's procedures were adequate; however, individual supervisors did not follow the procedures and were not held accountable for not adhering to the procedures. Finally, the lack of qualified or trained staff attributed to some of the internal control findings. We discuss our detailed internal control findings and recommendations in the section entitled, "Internal Control and Compliance Findings and Recommendations."

STATUS REPORT ON THE ELECTRONIC BENEFITS TRANSFER PROJECT

The Federal Government, as part of federal welfare reform legislation, is requiring that all states provide food stamp benefits to recipients using electronic methods by October 1, 2002. Electronic Benefits Transfer (EBT) is the common name for this benefit process. Although the Department began planning for this project in 1994, Virginia is one of only nine states that has neither a system already in place, nor a final contract to purchase a system.

The Department began planning for EBT in 1994 and originally issued a Request for Proposal (RFP) in January 1997. They received bids on this proposal, but subsequently canceled the RFP due to cost neutrality issues. The Department changed and reissued the RFP over two years later, in August 1999. The Department received bids and closed the RFP in October 1999. As of December 2000, the Department has completed negotiations with the vendor and is waiting for final contract approval. Since 1994, there have been many factors that have contributed to project delays including lack of funding by the General Assembly, difficult vendor negotiations, and changes in key project personnel. There have been several different project directors on this project within the last two years.

As of June 30, 2000, the Department has spent almost \$195,000 on the EBT project. The Department's 2001 and 2002 budgets include \$2.7 million each year for EBT implementation; however, the budget may be revised once the contract is finalized. The Department is planning two EBT pilot sites in Fall

2001. The Department has a project plan that details tasks to meet the federal deadline. Once the contract is finalized, the Department plans to update the project plan with the vendor. Department staff are confident that they can meet the federal deadline; however, the Department could request a waiver from the federal government if they determine they cannot meet the deadline for statewide implementation.

DEPARTMENT OF TRANSPORTATION

As reported in the previous audit, Transportation did not have adequate controls over inventory policies and procedures and did not properly manage inventory. Transportation addressed some of our concerns; however, we still found instances where policies were not enforced. Transportation did not ensure districts performed all inventory counts and reviews and did not establish procedures for District Administrators to monitor inventory until the end of fiscal year 2000. In addition, inventory turnover rates are extremely low, and district personnel continue to perform inconsistent and subjective compliance reviews.

We also found that Transportation does not properly assign contract administrators or maintain contract records for contracts procured and administered through the Administrative Services Division. We originally reported Transportation's failure to assign contract administrators in our fiscal year 1997 report. In addition, the most recent Department of General Services procurement review noted inadequate contract administrator assignment and incomplete contract files. Failure to properly assign contract administrators and maintain contract records could result in fraudulent activities and mismanagement of contracts.

Transportation has not updated, monitored, or complied with the small purchase charge card policies and procedures, which could result in mismanagement of the program, fraudulent activities, and failure to meet state requirements. The American Express Small Purchase Charge Card program is very decentralized within Transportation. Each district business administrator and division program managers are responsible for managing the program.

In the spring of 2000, the Information Technology Division began upgrading Oracle7 to Oracle8 for all Transportation systems. The Fiscal Division did not have the resources available to begin testing the PeopleSoft application until September 2000. The upgrade of an underlying database requires testing of the applications using it to determine compatibility. Without adequate time to plan, coordinate, and test the application against the upgrade, the Fiscal Division is unable to upgrade the PeopleSoft application on Oracle8 before losing vendor support for the Oracle database on December 31, 2000. Furthermore, Fiscal lost support for the PeopleSoft application in June 2000 and has not developed adequate plans for upgrading this application.

REVIEW OF LEAVE PAYMENTS TO SHERIFF MICHELLE B. MITCHELL

On November 6, 2000, we received a letter from the Acting Director of Finance questioning certain payments to Sheriff Michelle Mitchell. The Acting Director of Finance wrote the letter after a review of these payments by the City Internal Auditor. These payments appeared contrary to the policies and procedures of the Commonwealth of Virginia's Compensation Board and the City of Richmond.

As our report details, these payments are contrary to both the policies and procedures of the Compensation Board and the City of Richmond. However, the payments are consistent with the informal

policies of the Sheriff's Office. Without guidance from City Council directing the use of funding, the Sheriff does have the authority to adopt and follow internally developed independent policies and procedures.

Our review has found that the Sheriff has consistently followed her informal internal policies and procedures for all employees, including herself. City Council has the authority, through its funding of the Sheriff's Office, to determine if these policies and procedures should continue to receive funding in the future.

SPECIAL REVIEW – THE CRIMINAL OFFENSE REPORTING PROCESS

The findings and recommendations within this report highlight the need for criminal justice agencies to develop and follow standards for the exchange of information and future systems development. Almost all of the errors within the Central Criminal Record Exchange (the Exchange) arise from either the manual entry of data or the lack of standards within the Commonwealth to exchange information.

Without standards, local and state criminal justice agencies will continue to acquire systems that will not allow for the exchange of complete and accurate information. Agencies will need to acquire systems to meet workload demands and provide information for the management of their operations. However, while these systems may improve the operations of an agency, the lack of standards will prevent other agencies from efficiently and effectively gathering and using the information.

The State Police continue to successfully gather and maintain the Central Criminal Record Exchange within the confines of the present systems. The State Police and state and local criminal justice agencies need to evaluate and determine what information the Exchange should have and appropriately plan to gather and maintain that information.

In the year since our initial review of the criminal offense reporting process, there have been enhancements to the case disposition reporting process. The State Police and Supreme Court have significantly increased the number of courts that provide case disposition data electronically. The State Police have also implemented a tracking and monitoring process that improves the follow-up of incomplete or inaccurate data.

Our recommendations to improve the accuracy and completeness of criminal history data include:

- The General Assembly may wish to consider designating an oversight authority to set and enforce criminal information data exchange and information systems development standards for criminal justice computers and databases;
- The General Assembly may wish to consider legislation requiring that a person arrested and released on a summons report to the jurisdictional law enforcement agency for fingerprinting within a specified period;
- Wherever feasible, regional jails with LiveScan technology should assist localities for criminal intake and booking; and
- The State Police should continue to develop and implement follow-up procedures to resolve incomplete and inaccurate records.

SUMMARY OF REPORTS ISSUED

SUMMARY OF REPORTS ISSUED

The following reports on audit were released by this Office during the period January 1, 2001 through March 31, 2001. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Judicial Branch

Virginia State Bar for the year ended June 30, 2000

Executive Departments

Administration

Department of General Services for the year ended June 30, 2000*

Department of Human Resource Management for the year ended June 30, 2000

Local Government Investment Pool for the year ended June 30, 2000

Virginia War Memorial Foundation for the year ended June 30, 2000

Commerce and Trade

Department of Business Assistance for the year ended June 30, 2000

Department of Housing and Community Development for the year ended June 30, 2000*

Virginia College Building Authority as of June 30, 2000

Virginia Employment Commission for the year ended June 30, 2000*

Virginia Public Building Authority for the year ended June 30, 2000

Virginia Public School Authority for the year ended June 30, 2000

Virginia Tourism Authority for the year ended June 30, 2000

Education

Colleges and Universities

Virginia Biotechnology Research Park Authority for the year ended June 30, 2000

Virginia Commonwealth University for the year ended June 30, 2000*

Finance

Agencies of the Secretary of Finance for the year ended June 30, 2000*

Health and Human Resources

Commonwealth Health Research Board, for the year ended June 30, 2000
Department of Health for the year ended June 30, 2000*
Department of Medical Assistance Services for the year ended June 30, 2000*
Department of Social Services for the year ended June 30, 2000*
Virginia Tobacco Settlement Foundation for the year ended June 30, 2000

Public Safety

Department of Emergency Management for the year ended June 30, 2000
Department of Military Affairs for the two-year period ended June 30, 2000

Transportation

Department of Rail and Public Transportation for the year ended June 30, 2000*
Department of Transportation for the year ended June 30, 2000*

Independent Agencies

Virginia College Savings Plan for the year ended June 30, 2000*

Special Reports

Central Criminal Records Exchange dated January 15, 2001*
Division of Risk Management, Transition Review dated January 2001*
Frontier Culture Museum of Virginia for the period July 1, 1995 through June 30, 1998*
Office of the Sheriff dated January 2001*
Report to the Joint Legislative Audit and Review Commission for the quarter October 1, 2000
to December 31, 2000

Clerks of the Circuit Courts

Cities:

City of Norfolk for the period October 1, 1999 through September 30, 2000
City of Roanoke for the period October 1, 1999 through September 30, 2000
City of Suffolk for the period July 1, 1999 through June 30, 2000
City of Winchester for the period July 1, 1998 through September 30, 2000

Clerks of the Circuit Courts (cont.)

Counties:

County of Amelia for the period July 1, 1998 through June 30, 2000
County of Augusta for the period October 1, 1999 through December 31, 2000
County of Clarke for the period July 1, 1998 through September 30, 2000
County of Culpeper Clarke for the period July 1, 1998 through September 30, 2000
County of Dinwiddie for the period July 1, 1998 through June 30, 2000
County of Fauquier for the period January 1, 2000 through December 31, 2000
County of Franklin for the period October 1, 1999 through September 30, 2000
County of Henrico for the period July 1, 1998 through December 21, 2000
County of King & Queen for the period July 1, 1998 through June 30, 2000
County of King William for the period July 1, 1998 through June 30, 2000
County of Louisa for the period October 1, 1998 through December 31, 2000
County of Madison for the period April 1, 1998 through June 30, 2000
County of Mecklenburg for the period July 1, 1998 through June 30, 2000
County of New Kent for the period July 1, 1998 through September 30, 2000
County of Nottoway for the period July 1, 1998 through June 30, 2000
County of Orange for the period January 1, 1999 through December 31, 2000
County of Page for the period January 1, 2000 through December 31, 2000
County of Patrick for the period July 1, 1998 through June 30, 2000
County of Powhatan for the period April 1, 1998 through June 30, 2000
County of Pulaski for the period July 1, 1998 through June 30, 2000
County of Rappahannock for the period April 1, 1998 through September 30, 2000
County of Scott for the period January 1, 2000 through December 31, 2000
County of Sussex for the period April 1, 1998 through June 30, 2000
County of Tazewell for the period October 1, 1999 through December 31, 2000
County of Warren for the period April 1, 1998 through September 30, 2000
County of Washington for the period October 1, 1999 through September 30, 2000
County of Wise and City of Norton for the period July 1, 1999 through December 31, 2000

Commonwealth Revenues Collected by Constitutional Officers

Collection of Commonwealth Revenues by Local Constitutional Officers Statewide Report
for the year ended June 30, 2000*

Treasurers - Turnover

County of Northampton for the period July 1, 2000 through December 31, 2000